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INTRODUCTION

The Traverse City Area Public Schools (TCAPS) entered into contract #BA-06-28001 with the Michigan Department of Human Services (DHS) to provide a Before and After School Program (BA) for children. All programs funded under this contract were to impart specified skills to children, provide programs in spaces that are age appropriate for each child, and have a stated purpose to promote intellectual, social, emotional, physical or recreational skills of children. The contract totaled \$214,303 for services performed during the period October 1, 2005 to September 30, 2006. At the time of the audit TCAPS had been reimbursed for their actual costs of providing the program for the period from October 1, 2005 through September 30, 2006 through submission of monthly billings to DHS.

SCOPE

The Office of Internal Audit performed an audit of TCAPS to determine if their billings were accurate, and if the costs they charged were allowable and properly supported by the accounting records and other documentation in accordance with the terms of the contract. Our review covered the period October 1, 2005 through September 30, 2006. We also tested to determine if TCAPS obtained documentation that children who participated in the program were TANF eligible.

EXECUTIVE SUMMARY

Based on our audit, we concluded that TCAPS over billed DHS \$11,069.81 for Contracted Services. Our report recommends that the Field Operations Administration initiate the process to recoup \$11,069.81 from TCAPS.

TRAVERSE CITY AREA PUBLIC SCHOOLS RESPONSE

The management of TCAPS has reviewed all findings and recommendations included in this report. They indicated in a letter dated December 11, 2006 that they will comply with most of the recommendations made in the report. However, they disagree with finding #1. There reasons for disagreement follow that finding.

FINDINGS AND RECOMMENDATIONS

Contracted Services – Unallowable Expenses

1. The total billed for Contracted Services was \$20,049.97. Of this amount \$8,980.16 was for services from contractors included in the Contract Budget Detail. The remaining \$11,069.81 was made up of \$8,247.67 paid to service providers not included in the Contract Budget Detail and \$2,822.14 in expenditures not broken down by provider at the time of our review, but made up of items such as procurement card expenses, telephone, and travel expenses.

WE RECOMMEND the Field Operations Administration (FOA) initiate the process to recoup \$11,069.81 for unallowable Contracted Services expenses.

TCAPS Response

TCAPS stated that they disagreed with the disallowance of the \$8,247.67 because they had received verbal approval for the use of the above mentioned service providers from their DHS contract coordinator.

In regard to the \$2,822.14 in expenditures not broken down by provider, TCAPS disagreed with this finding because these expenditures were of small dollar amounts

and were recorded using accounting codes mandated by the Michigan Public School Accounting Manual.

Subcontract Language

2. TCAPS' subcontracts did not include language required by their contract with DHS (i.e. language pertaining to confidentiality and performance).

Also TCAPS did not obtain prior written approval for any of its subcontracts. The contract states on page 18, "The Contractor shall not assign this Agreement or enter into subcontracts to this Agreement with additional parties without obtaining prior written approval of the DHS."

WE RECOMMEND FOA ensure that TCAPS prepares subcontracts using language required by the contract.

WE FURTHER RECOMMEND FOA monitor to ensure that all TCAPS subcontracts are approved by the DHS Office of Contracts and Rate Setting.

Expenses Included in Wrong Line Item

3. We observed that TCAPS entered into agreements for small amounts (\$25 - \$300) where the service provided took place in one day, and billed those costs in the Contracted Services line item. Also these agreements were dated the day of or after the services had been provided. These types of expenses should more properly be provided for in the Miscellaneous Expense line of the Contract Budget. We also noted communication and transportation charges included in Contracted Services. These expenses should be included in the Communication and Transportation lines of the Contract Budget Detail when preparing the Contract Budget. It should be noted

that expenditures included on the Miscellaneous, Communication, and Transportation lines of the Contract Budget would not require the preparation of a subcontract.

WE RECOMMEND that FOA work with TCAPS to ensure planned costs are included in the appropriate line item of the contract budget.

Fringe Benefits

4. TCAPS billed \$1,166.44 of fringe benefit cost for September 2005 in November 2005. September 2005 expenses pertain to the prior contract year so they cannot be charged to this contract. However, TCAPS was not reimbursed for \$1,831.68 of the amount billed for Fringe Benefits for the 2006 contract because they exceeded the line item budget by that amount. We have included the \$1,166.44 as part of the \$1,831.68 line item overage; therefore no additional disallowance for fringe benefits is necessary.

Student Service Survey Forms

5. TCAPS did not obtain a “Student Service Survey” form from most of the parents of the children in the Program. A listing of children in the program indicated that survey forms were only received for 9 of the 75 children in the program. The contract states on page four that TCAPS is to: “Administer a pre-test survey at the onset of the programs to determine the needs for youth referred for the program.” The ability to meet a child’s needs is reduced when the Program does not have the benefit of the parent’s input.

WE RECOMMEND FOA ensure that TCAPS obtains Student Service Survey forms for all children in the program.